

WHAT IS YOUR POINT OF VIEW?

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by

Monroe Kimbrel, President
Federal Reserve Bank of Atlanta

Today the American people are faced with so many problems of so many kinds in so many places that sometimes they seem almost insurmountable. How can they all be solved satisfactorily? Our troubles at home include social unrest, shifting moral standards, problems of old age and problems of youth, problems of too much affluence and problems of poverty. We are faced with the problem of trying to bring our economy into a sustainable growth path and, at the same time, preserve the value of our dollar. We have problems abroad--the Vietnam war, major and minor disputes with some foreign governments, preservation of the international financial system, and bringing the world a little closer towards peace.

Obviously, I cannot discuss all of these problems today; and, to be perfectly frank, I am not qualified to do so. But of this I am confident: If we follow the tradition of American history, we can deal with these problems. This great nation has gone through many crises and undergone many strains. Even though the final results have not always been to our liking, we have survived. We may spend a lot of time quarreling about the ways the problems should be solved, but eventually enough of us have submerged our differences in favor of the common good so that we finally got down to creating workable solutions.

One reason we do that is because of the point of view we take. We as bankers are right in the midst of one of this nation's great problems--the problem of getting our rate of economic expansion into one that can be sustained while at the same time bringing inflation under control. It may well be that bankers and the things they do will determine the success of meeting the problem. I am going to suggest today that it may well be that the point of view or the attitude taken by bankers may be the key to solving the problem of inflation.

Before touching specifically on certain aspects of this problem as it concerns bankers, I should like to spend some time in discussing what I think is the most important element underlying the point of view of bankers towards this nation's present great economic problem of inflation--that is, whether bankers as a group regard banking as a profession or merely an occupation or business. If bankers as a group look on banking as a profession, their influence on helping solve this great problem can be very great. If they look upon banking only as a business, they could well make the solution of the problem more difficult.

The English language is not precise, and frequently we use the same word to convey different meanings in a different context. So it is with the word "profession" or "professional." In athletics, for example, when we say a man has become a professional, we mean that he has switched over to making money from doing something which he formerly did solely for his own enjoyment or perhaps in an effort to bring credit to his school or college. That is exactly the opposite from the way we are treating the word "profession" today. Therefore, I think it might be well to discuss briefly what it is that distinguishes a profession in general from a business or occupation.

There are many characteristics of a profession, but these three stand out. First, the practice of a profession generally involves specialized and advanced training. Thus, we find that the lawyer has to devote several years to law school; the physician must go through medical school, internship, residency, and frequently further training in his specialty; nowadays the clergyman must not only complete his college education but generally some higher form of graduate training at a theological seminary. There are, of course, professions requiring somewhat less preparation than these I have cited, but they all involve specialized and advanced training. What is more, members of the profession can never stop studying. For example, the doctor must keep abreast of the latest developments in medicine through reading medical journals, attending professional meetings, and special courses.

A second characteristic of a profession is that it has a social purpose and is not carried out solely for financial gain. "A laborer," of course, "is worthy of his hire"; and it is not expected that a member of a profession will perform his services without cost. But, in general, a man does not become a member of a profession primarily to make money. For example, if he chose a medical career, it was partly because he thought he could find satisfaction in healing the sick and the preservation of the public health. The lawyer is expected to be devoted to the promotion of justice. Sometimes members of professions demonstrate this concern about the social purpose by devoting a considerable part of their time to unpaid services. At other times, it is demonstrated by a concern about what their particular actions may do for the total social welfare. At other times, it may be demonstrated by the giving up of opportunities to make profits in favor of a course of action that will promote the general welfare.

A third characteristic is that members of the profession generally subscribe to some code of ethics. This code may or may not be formalized, as it is in the case of the medical profession; but there are always certain practices that by common consent are forbidden and certain other practices that are generally accepted by the members of the profession. This code of ethics goes beyond the law and, in many cases, is not enforceable by law. The provisions of such codes cover the relationships with clients and others and the relationships with fellow members of the profession.

It seems to me that an occupation or business becomes a profession to the extent to which the persons engaged in it follow major practices such as I have just outlined. A business or an occupation becomes a profession when it is based upon specialized and advanced training, when it is carried out not solely for financial gain but with a social purpose, and when it is covered by a code of ethics. Conversely, it seems to me that, no matter what his formal label be--a doctor, a lawyer, a clergyman, or what have you--if he does not follow these practices, he would not--in the sense I am using the word today--be considered a true professional.

Let us see how this applies to banking.

In the modern world, as you have well learned, the practice of banking requires specialized and advanced training. There are various ways of acquiring this. In some cases it may be acquired by experience, but more and more we are finding that our colleges and universities are devoting more time and effort to providing specialized training in banking, business methods, and finance. Within banking itself, there are numerous opportunities for a banker to acquire this specialized and advanced training. Indeed, there is probably no other business in this country that devotes so much of its energies to self-improvement. The American Bankers Association and the state

bankers associations provide opportunities for continuing training. This Junior Bankers Study Conference sponsored by the Louisiana Bankers Association is an excellent example of that kind of activity. We shall have the chance to learn more about such specialized functions as bank credit cards, bank relations, bank examination, truth in lending, insurance, and bank building. Your presence here shows that bankers do take advantage of these opportunities to acquire the specialized and advanced training that is basic to the practice of a profession.

The second test of whether banking is practiced as a profession is whether the one practicing it recognizes the social purpose of banking as well as the possibility of financial gain. Our banking system, of course, cannot function unless it functions profitably. A banker who did not operate his bank as a profit-making institution would, of course, be guilty of defaulting on his obligation to maintain a sound bank. Nevertheless, bankers sometimes forget that the banking system exists only because the public, through its governmental bodies, has granted the commercial banking system the right to perform certain monetary functions. The public in return expects a sound banking system operated in the public interest. The importance to the general welfare of a smoothly operating banking system is indicated by the legal restrictions that have been set up, such as the chartering of banks, provisions for supervision, and legal restrictions placed upon the activities of bankers. The public expects that banking will be conducted so as to promote the general welfare and, in the process, lead to a reasonable profit to those engaged in banking.

Thus, we should expect that as a businessman he will look at any proposal with the question, "What's in it for me?" But as a professional we expect

him also to ask the question, "What's in it for the public welfare?" Unless at times he makes his decision--and it may be a very difficult decision to make--against some course of action that may be profitable to himself but damaging to the public interest, we cannot properly consider him a true professional. We can test ourselves by asking what points of view do we consider when making up our minds about such things as proper monetary policies to follow, certain banking legislation, methods of clearing checks, the proper financing practices for state and local governments to follow, and bank supervisory practices. Attitudes on these matters are often the acid test of a professional banker.

Within the next hour or so, you are going to have a chance of testing, in at least a minor way, how much you are really concerned with the social purpose of banking. We are going to be privileged to hear Mr. Philip E. Albrecht tell us something about the economy for the balance of 1969. I am sure we are all very much interested in what he will have to say.

Here is the test. Why are you as bankers interested in the economic outlook for the rest of the year? Are you merely going to say to yourself, or did you say to yourself previously: "I want to know about the economic outlook because it is going to help me make some money for myself or my customers"? Or did you say to yourself: "I want to know about the economic outlook because of what this may imply for the public welfare and because this knowledge will help me reach conclusions about which types of economic and monetary policies will best serve the public"?

Certainly, it is our responsibility as bankers to be interested in economic conditions and what economic conditions are likely to be, so that we can adjust our operations and carry on the practice of sound banking. However, some of the elements of professionalism are absent if that is the only reason

you are interested in the economic outlook. Will you be concerned if the outlook is for continued strong inflationary pressures because of the damage this will have on the public benefit? If so, you are exhibiting some of the characteristics of a professional banker. On the other hand, if you only want to know how to profit from rising prices, you are not.

But I do not like to leave this point without stressing that there are many bankers who do adopt a professional attitude when viewing matters of economic and monetary policy. There have been many times in my experience when I have observed bankers who have taken a stand that might be contrary to their short-term interests but that was in the long-run interests of the general public. That is a professional attitude, and more of this sort of attitude is needed in these trying times. We must develop this professional attitude of responsibility if we are to get the inflationary pressures under control.

But above all--and here I speak both from the point of view of a central banker with certain supervisory responsibilities and as a former commercial banker--the attitude of "What's in it for me?" as the sole criterion for action is likely to lead to difficulties, and the public is likely to suffer. Unfortunately, we have some bankers who have, in their search for quick profits, gone to dangerous lengths in extending credit and engaging in unsound practices. Almost every case that I know of where a bank has gotten into such great difficulties that the supervisory authorities have had to take drastic steps has been one where the management of the bank has thought solely of "What's in it for me?"

How can we judge the extent to which a banker is a professional by his adherence to a code of ethics? In most cases, this will be an unwritten

code, and it will involve matters that are not covered by the many restrictions imposed by banking law or by the regulations of the supervisory authorities.

I suppose one way we can pass judgment is the extent to which the banker does or does not press his actions just to the point of violating some law or regulation. How does he resolve a possible conflict of interest? How well does he respect the confidentiality of the relationships he has with his customers? How does he advise his customers in ethical matters? Does he take advantage of confidential information obtained through his business dealings with his customers to obtain financial profit solely for himself? Does he act in the interests of the bank and its stockholders or to his own benefit? When there is doubt, does he resolve the doubt to the benefit of the institution he serves? You as bankers know many more details of the unwritten code of behavior a professional banker should follow.

All of what I have said to you today is no doubt familiar, and it may sound a little old-fashioned. Nevertheless, in all sincerity I believe that to the extent that banking is considered a profession and to the extent that professional standards prevail among bankers, we shall have a sound monetary and credit system. These are difficult times, and the monetary authorities, including the Federal Reserve System, are and are going to be under increasing pressures from self-serving groups. We shall need all the support we can get from bankers who look upon banking as a profession and look at economic and monetary problems from the point of view of the general welfare.

FEDERAL RESERVE BANK OF ATLANTA

OFFICE CORRESPONDENCE

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Mr. Monroe Kimbrel

Subject Talk at Junior Bankers

om Charles T. Taylor

Study Conference

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Attached is a copy of a talk prepared for your appearance at the Junior Bankers Study Conference in Baton Rouge.

As you suggested, I have followed the pattern of the talk you gave before on banking as a profession. I have added some references, however, to the current situation.

Attachment